

Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 DOE-15 SOE-02 AID-05 OES-07 EB-08
CEA-01 CIAE-00 COME-00 DODE-00 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /129 R

DRAFTED BY DOE/IPD:RICORD; AID/ASIA/PT:VELLIOTT; EA/PHL:
APPROVED BY EA:ROAKLEY
DOE/IPD:MCREEKMORE
DOE/IPD:SJACKSON
DOE/IP:NSIEVERING (DRAFT)
AID/ASIA/AA:JSULLIVAN
OES/NET:MPROCHNIK
EB/ORF/FSE:DHART
EA/PHL:JCMONJO; AID/DS/EY:AJACOBS
OES/NET/NEP:RDEMING
AID/DS/EY:AJACOBS

-----109676 250758Z /11

R 242048Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 132443

FROM STATE/AID/DOE TO EMBASSY/AID

E.O. 11652: GDS

TAGS: OVIP, ENER, ID, RP

SUBJECT: VELASCO MEETINGS WITH SCHLESINGER AND AID--VICE
PRESIDENT'S ENERGY INITIATIVE

REF: (A) MANILA 07157 (B) STATE 112985 (C) STATE 111016

1. AS REQUESTED BY VICE PRESIDENT MONDALE (R'F A), SECRE-
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TARY OF ENERGY SCHLESINGER MET WITH PHILIPPINE SECRETARY OF
ENERGY VELASCO ON MAY 12.

2. SCHLESINGER EXPRESSED APPRECIATION TO VELASCO FOR GOP'S
PROMPT RESPONSE TO U.S. PROPOSAL FOR RENEGOTIATING US/RP
NUCLEAR COOPERATION AGREEMENT. ON HIS PART, VELASCO ASKED
ABOUT POSSIBILITY OF A GOVERNMENT-TO-GOVERNMENT AGREEMENT

CONCERNING THE SUPPLY OF NATURAL URANIUM FEED (FOR THE WESTINGHOUSE NUCLEAR POWER PLANT), IN CONNECTION WITH GOP'S ENRICHMENT SERVICE CONTRACT WITH DOE. VELASCO NOTED THAT EXISTING US/PHILIPPINE NUCLEAR AGREEMENT PROVIDES THAT USG WOULD UNDERTAKE TO FURNISH NATURAL URANIUM FEED IF THE FEED WAS NOT QUOTE REASONABLY AVAILABLE END QUOTE TO THE PHILIPPINE GOVERNMENT. HE EXPRESSED HOPE THAT THERE MIGHT BE FINANCIAL BENEFIT TO THE PHILIPPINES FROM SUCH AN ARRANGEMENT. VELASCO WAS TOLD THAT SUCH AN AGREEMENT WOULD NOT OFFER ANY ECONOMIC ADVANTAGE, AN AGREEMENT WOULD NOT

AT LESS THAN THE MARKET PRICE TO THE PHILIPPINES, AND THAT IN ANY EVENT PHILIPPINE REQUIREMENTS COULD BE CURRENTLY MET FROM U.S. COMMERCIAL SOURCES. (NOTE: IN MAY 9 MEETING WITH DOE AND STATE OFFICIALS, THE PHILIPPINE REPRESENTATIVES WERE ADVISED THAT NATURAL URANIUM MEETING PHILIPPINE REQUIREMENTS IS PRESENTLY AVAILABLE FROM SEVERAL U.S. COMMERCIAL SOURCES, AND NO SCARCITY IS EXPECTED. THE PHILIPPINE OFFICIALS UNDERTOOK DURING THEIR VISIT TO CONTACT U.S. SUPPLIERS WITH THE EXPECTATION THAT THEY WOULD BE ABLE TO CONTRACT FOR THE MATERIAL.)

3. FOLLOWING UP THE VICE PRESIDENT'S DISCUSSIONS IN MANILA, SECRETARY SCHLESINGER STATED THAT THE U.S. WAS PREPARED TO SEND A TEAM TO THE PHILIPPINES TO EXPLORE WAYS WE COULD COOPERATE IN PHILIPPINE ENERGY DEVELOPMENT. HE
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INDICATED THAT THE TEAM WOULD BE COMPOSED OF REPRESENTATIVES FROM AID AND STATE, AS WELL AS DOE.

4. IN CONCLUSION, VELASCO INVITED SCHLESINGER TO VISIT THE PHILIPPINES. SCHLESINGER RESPONDED THAT IT WOULD BE PREMATURE TO PLAN SUCH A TRIP UNTIL ACTION ON U.S. ENERGY LEGISLATION HAD BEEN COMPLETED.

5. ON PREVIOUS DAY, SECRETARY VELASCO AND PARTY MET WITH AID AA/ASA SULLIVAN, DAA ADLER AND DS/EY DIRECTOR JACOBS. SULLIVAN STATED AID INTEREST IN WORKING WITH GOP IN DEVELOPING ENERGY SECTOR WITHIN CONGRESSIONAL LIMITATIONS ON AID FINANCING, WHICH WERE DISCUSSED. HE OBSERVED THAT AID WILL JOIN DOE AND QUOTE CONSIDER, SUBJECT TO AVAILABILITY OF FUNDS END QUOTE, FINANCING COOPERATIVE PROJECTS WHICH MAY DEVELOP AS RESULT OF TEAM'S VISIT TO THE PHILIPPINES. SULLIVAN NOTED THAT THESE EFFORTS WILL BE IN ADDITION TO ACTIVITIES FINANCED BY AID NON-CONVENTIONAL ENERGY LOAN SIGNED DURING VICE PRESIDENT'S VISIT.

6. ACTION: REQUEST EMBASSY/AID CONTACT PHILIPPINE DEPARTMENT OF ENERGY OFFICIALS AND (1) ESTABLISH POINT OF CON-

TACT FOR TEAM VISIT, (2) INQUIRE AS TO WHAT AREAS OF ENERGY EXPERTISE THEY WOULD WISH TO HAVE REPRESENTED ON THE TEAM, AND (3) REQUEST THEIR PREFERENCE ON THE MOST CONVENIENT TIME PERIOD FOR THE TEAM VISIT. WE WOULD EXPECT THIS VISIT TO IDENTIFY IN GENERAL TERMS IDEAS FOR POSSIBLE COOPERATIVE PROJECTS. DETAILED PLANS FOR PROJECTS OF MUTUAL INTEREST WOULD SUBSEQUENTLY BE DEVELOPED FOLLOWING THE TEAM'S VISIT. VELASCO WAS TOLD THAT SEPTEMBER WOULD PROBABLY BE THE MOST SUITABLE TIME FOR THE TRIP BECAUSE OF THE APPROACH OF THE MONSOON SEASON, BUT A VISIT PRIOR TO THE RAINY SEASON MAY BE POSSIBLE IF THAT IS PREFERRED. PLEASE RESPOND ASAP BY CABLE WITH CAPTION ATTN:

DOE FOR JACKSON AND AID FOR SULLIVAN.
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7. TO ASSIST IN PREPARATIONS FOR TEAM VISIT, WE WOULD ALSO APPRECIATE EMBASSY SENDING COPY OF RECENT COAL EVALUATION REPORT PREPARED BY ROBERTSON RESEARCH INTERNATIONAL FOR THE PHILIPPINE BUREAU OF ENERGY DEVELOPMENT AND ANY OTHER RECENT BACKGROUND OR PLANNING MATERIAL WHICH YOU BELIEVE MIGHT BE USEFUL. CHRISTOPHER

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